



Sammy Rich, *City Manager*
Patrick Eidson, *Assistant City Manager*
DEPARTMENT OF PUBLIC SERVICES
W. Kirk Milam, P.E., *Manager*
Water and Sewer Division
Michael Hackett, *Director*
Water Treatment Facility
Wayne Stanley, *Director*
Water Reclamation Facilities
Johnny C. Massingill, *Director*
Water Billing Department
Cathy Sims, *Director*

WATER AND SEWER COMMITTEE MEETING
City Hall, 601 Broad Street, Sam King Room
Thursday, December 3, 2015 9:00 AM

PRESENT: Commissioner Wendy Davis, Chairperson
Commissioner Buzz Wachsteter
Commissioner Bill Irmscher
Mr. Sammy Rich, City Manager
Mr. Kirk Milam, P.E., Public Services Manager
Mr. Mike Hackett, Water & Sewer Division Director
Ms. Sheree Shore, Finance Director
Ms. Cathy Sims, Water Billing Department Director

GUESTS: Mr. Mike Burton, Burton & Associates, Inc.
Mr. William Ziebertz, Burton & Associates, Inc.
Ms. Leticia Gaglianone, Burton & Associates, Inc.

CALL TO ORDER

Chairperson Davis called the meeting to order.

REVIEW OF THE MINUTES

The minutes of the November meeting were approved by common consent.

FINANCIAL REPORTS

Ms. Shore presented the October financial report. She reminded everyone that October had three bi-weekly payrolls. Operating revenues have been up by about three percent for most of the year. The month of October was behind this time last year, but most all of the line items are up over last year with the exception of wholesale water, which was at about a 44% decrease over where we were last year, which is still more than we had anticipated. Sewer service was under this time last year but over the year-to-date budget. Both water connection fees and County sewer connection fees were up. Total operating revenues are up about 1.6% from last year.

On the operating expense side personal services are up with increases in fringe benefits due to some positions being added back. Project costs are a little below last year but will be picking up next year. She noted that no department was out of line with budget. Operating expenses are within \$20,000 of where we were last year.

Ms. Shore reported that the bond coverage through ten months is 1.72 which is a conservative position for us. Commissioner Wachsteter asked what our debt reduction will be next year. She replied the debt reduction will be at about \$1.2 million next year. This will not be additional revenue but will rather reflect as a higher net income due to reduced expenditures.

Commissioner Wachsteter asked what Wholesale rate we have been charging the County. Mr. Milam said it is currently at \$1.40/1000 gallons, but they had to withdraw an average of 100,000 gallons per day during the month to qualify for that rate. Mr. Rich added this is a rate we gave them to match the rate offered by Calhoun. Mr. Milam added that rate negotiations will take place over the next few weeks and we have kept a place holder in the Rate Study that will allow us to look at those projected revenues as a whole. We have made a proposal that the County has in hand now and we will be continuing negotiations with them in the days ahead.

NEW BUSINESS

Water and Sewer Rate Study

Mr. Mike Burton of Burton & Associates gave the Rate Study presentation. He outlined the information contained in the model. He reported that objectives for the Rate Study were to come up with a 10-year financial plan using revenues, expenses and our capital program. The 2015 budget is used with the capital improvement project information for 2016 through 2025. Mr. Burton noted that Rate Structure design is a complicated process we will be considered during a latter phase of the Study to evaluate any desire to re-apportion the source of revenues by virtue of the rate structure. Mr. Milam added that historically we have always increased rates across the board. He noted that the model will help us to make informed decisions about a variety of increase structures. He suggested we could make a decision today to make an increase across the board but then re-apportion the increase at a later date. He added that for the study, we have made some conservative assumptions so we shouldn't be adversely impacted by any decision we make today. Commissioner Wachsteter asked how the 2016 budget was developed. Ms. Shore replied that a rate increase was not assumed in the 2016 budget. She added that we can anticipate the debt reduction that will take place.

Mr. Burton presented the model and demonstrated the effect of different rate increases over the next 10 years. He noted a target level of reserves was assumed to establish a desired level of financial sustainability. Future debt reduction as well as future capital expenditures were also taken into account. Ms. Shore noted that our desired level of reserves is approximately a third of the operating expenses before debt. Mr. Burton demonstrated using the model that over the next five years we will need some kind of rate increase to fund the costs of operations and projects to avoid completely depleting the Fund Balance.

The Committee continued to review different scenarios and observing the consequences on Fund Balance and future borrowing associated with rate increases varying primarily from 2-4%. Commissioner Irmscher noted his concern regarding the effect a rate increase would have on industrial prospects. Commissioner Wachsteter stated he was in favor of a

3% increase while Commissioner Irscher stated he felt more comfortable with a 2% increase.

Commissioner Irscher had to leave the meeting before any action was taken. Commissioner Wachsteter suggested that the Committee reconvene next week to further discuss the funding issues before making a rate increase recommendation. Chairperson Davis agreed to call a second meeting next week.

ADJOURN

There being no further business, the meeting was adjourned.

Respectfully Submitted,

Margaret Hollingsworth

Margaret W. Hollingsworth, Secretary